

How Balanced is Balanced Scorecard?

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The Balanced Scorecard is a strategic management system that translates strategy into action. It is advocated to be balanced on multiple fronts, such as short and long-term objectives, financial and non-financial measures, lagging and leading indicators, and external and internal performance perspectives. It is very widely used to review the implementation of strategy in a large class of organizations.

Though the Balanced Scorecard appears to be balanced with four perspectives of the strategic performance management system, viz. Financial perspective, Customer perspective, Internal Business perspective and Learning and Growth perspective, there are a number of areas that require further balancing. Some of the crucial areas that need to be addressed are: balance of enterprise and customer factors, balance of continuity and change forces, balance of reactive and proactive drivers, balance of internal and external actors, and balance of internal and external processes.

All the perspectives of the Balanced Scorecard are largely incorporated from the view point of the enterprise. Though the Customer perspective involves the factors of offerings and relationships, these are taken-up in an implicit manner with in the framework of customer satisfaction index. The customer factors of offerings and relationships are crucial in evolving the strategy of the enterprise. The Blue Ocean strategy deals with the customer factors related with the offerings as central focus of the strategy. Thus, the framework of the Balanced Scorecard needs a re-look to incorporate the customer factors along with the enterprise factors in an explicit manner to enrich the strategy formulation and implementation processes.

Continuity and change are hallmarks of strategic thinking all through. The strategic management of change could be better leveraged with clear understanding of continuity of the organization and consciously managing the vital and desirable areas of continuity along with change. The framework of Balanced Scorecard is almost silent on this important dimension of the strategy. It requires addressing the forces of both continuity and change operating on an enterprise. The Flowing Stream strategy framework deals with these forces so as to effectively relate the enterprise and customer factors with the continuity as well as change forces.

The drivers of strategy are both proactive and reactive. Proactively, the strategy is designed to attain certain performance goals; both financial and non-financial. But in the volatile business environment, the reactive drivers linked with the prevailing 'situation' become equally important. There is a need to incorporate 'situation' drivers of strategy in the Balanced Scorecard. This will make the system dynamic with change in situation; both external and internal situation elements would be relevant to be addressed.

The strategic management system, such as Balanced Scorecard, is supposed to deal with the concerns linked with both the internal and external actors for effective execution of strategy. The issues linked with the internal actors, such as top management and employees, are leadership, motivation, learning and knowledge management. The external actors are customers, vendors, strategic partners, shareholders, etc. The Balanced Scorecard incorporates the customer perspective, which needs to be extended to encompass the strategic objectives concerning other external actors as well.

The process orientation exists in the Balanced Scorecard, which predominantly incorporates the internal business processes. The scorecard is supposed to be balanced in terms of the objectives and targets for both the internal and external processes. The external processes such as management of strategic alliances, outsourcing, and Mergers & Acquisitions are crucial for the strategic success of any enterprise in the changed business scenario.

Thus, there is a pressing need to reformulate the strategic management system to balance multiple concerns that are not adequately addressed in the current framework of the Balanced

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Scorecard. Moreover, the strategic management system is not supposed to only act as a strategy deployment tool, rather it should support the whole cycle of strategy formulation and execution and thus there is a need of a strategy game card rather than only a scorecard. Further, the strategy game card is supposed to evolve as a generalized game card for Business/Government/Projects and many more types of organizational forms.

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